

**Tri-Township Fire Department
Montmorency County, Michigan
Financial Report
With Supplemental Information
December 31, 2007**

Tri-Township Fire Department

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	9
Statement of Revenues, Expenditures and Changes in Fund Balances	10
Notes to Financial Statements	11-15
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	16
Supplemental Information	
General Fund	
Statement of Revenues - Budget and Actual	17
Statement of Expenditures - Public Safety - Budget and Actual	18



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

INDEPENDENT AUDITOR'S REPORT

Board of Directors
[Tri-Township Fire Department](#)
Atlanta, Michigan 49709

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tri-Township Fire Department as of and for the year ended December 31, 2007, which collectively comprise the Tri-Township Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tri-Township Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Tri-Township Fire Department as of December 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 6 and page 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise Tri-Township Fire Department's basic financial statements. The items identified as other supplemental information in the table of contents are not a required part of the basic financial statements of Tri-Township Fire Department. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPA's P.C.
Certified Public Accountants
August 27, 2008

Management's Discussion and Analysis

As management of the Tri-Twp Fire Department (the "Fire Department"), we offer readers of the Fire Department's financial statements this narrative overview and analysis of the financial activities of the Fire Department for the year ended December 31, 2007.

Financial Highlights

- The assets of the Fire Department exceeded its liabilities at the close of the most recent fiscal year by \$608,909 (*net assets*). Of this amount, \$220,161 (*unrestricted net assets*) may be used to meet the Fire Department's ongoing obligations.
- The Fire Department's total net assets increased by \$44,108.
- As of the close of the current fiscal year, the Fire Department's general fund, the only governmental fund, reported an ending fund balance of \$220,161, an increase of \$44,874 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$220,161 or 291% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Fire Department's basic financial statements. The Fire Department's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Fire Department's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Fire Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Department is improving or deteriorating.

The *statement of activities* presents information showing how the Fire Department's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Fire Department that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Fire Department consist of public safety (fire protection services). The Fire Department does not have any business-type activities as of and for the year ended December 31, 2007.

The Government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire Department consist of one category: governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Fire Department's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Fire Department maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Fire Department adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 9-10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-15 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Fire Department, assets exceeded its liabilities by \$608,909 at the close of the most recent fiscal year.

A portion of the Fire Department's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Fire Department uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Fire Department's Net Assets

Governmental Activities

	December 31 2007	December 31 2006
Assets		
Current and Other Assets	\$ 220,161	\$ 175,287
Capital Assets, Net	388,748	389,514
Total Assets	<u>608,909</u>	<u>564,801</u>
Liabilities		
Current Liabilities	-	-
Noncurrent Liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets		
Invested in Capital Assets	388,748	389,514
Unrestricted	<u>220,161</u>	<u>175,287</u>
Total Net Assets	\$ <u><u>608,909</u></u>	\$ <u><u>564,801</u></u>

The Fire Department's net assets increased by \$44,108 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$44,874 or 26%, during fiscal year 2007.

Fire Department's Changes in Net Assets

Governmental Activities

	December 31 2007	December 31 2006
Revenue		
Program Revenue		
Charges for Services	\$ -	\$ 3,100
Operating Grants and Contributions	-	-
Capital Grants and Contributions	-	-
General Revenue:		
Intergovernmental	106,695	99,449
Interest Earnings	10,834	9,330
Other	2,995	884
Total Revenue	120,524	112,763
Expenses		
Public Safety	76,416	70,714
Total Expenses	76,416	70,714
Increase (Decrease) in Net Assets	44,108	42,049
Net Assets, Beginning of Year	564,801	522,752
Net Assets, End of Year	\$ 608,909	\$ 564,801

Governmental activities. The Fire Department's total governmental revenues increased by \$7,761 from last fiscal year. This was primarily attributed to an increase in intergovernmental revenue. Expenses increased by \$5,702. The increase was primarily due to increased overall operating costs and depreciation.

Financial Analysis of the Government's Funds

As noted earlier, the Fire Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Fire Department's governmental fund reported an ending fund balance of \$220,161, an increase of \$44,874 in comparison with the prior year. The *unreserved fund balance*, which is available for spending at the Fire Department's discretion, constitutes 100% of this total amount.

The only governmental fund is the General Fund of the Fire Department. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent 291% and 291%, respectively, of total general fund expenditures.

General Fund Budgetary Highlights

The Fire Department's budgets are prepared in accordance with Michigan Law. The only budgeted fund is the General Fund. The General Fund budget was amended in a legally permissible manner during the year.

Capital Asset and Debt Administration

Capital assets. The Fire Department's investment in capital assets for its governmental activities as of December 31, 2007, amounted to \$389,514 (net of accumulated depreciation). Investment in capital assets includes land, equipment and vehicles. Additions totaled \$21,115 for the year.

Fire Departments's Capital Assets (net of depreciation)

	December 31 2007	December 31 2006
Land	\$ 15,068	\$ 15,068
Equipment - Radio	4,458	4,975
Equipment - Station	5,158	5,571
Equipment - Vehicles	65,949	50,781
Vehicles	298,115	313,119
Total	\$ 388,748	\$ 389,514

Additional information on the Fire Department's capital assets can be found in note 5 on page 15 of this report.

Factors Bearing on the Fire Department's Future

The following factors were considered in preparing the Fire Department's budget for the year ending December 31, 2008:

- The 2008 revenue budget does not include any grant revenue and anticipates a slight increase in intergovernmental revenue. The expenditure budget anticipates that operating expenses will be comparable to 2007. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Fire Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tri-Twp Fire Department
17300 Campbell Road
Comins, MI 48619

Basic Financial Statements

Tri-Township Fire Department
Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 220,161
Receivables: (Note 4)	
Receivable from other governments	-
Capital assets-net (Note 5)	<u>388,748</u>
Total assets	<u>608,909</u>
 Liabilities	
Current Liabilities	
Accounts payable	-
Accrued expenses	<u>-</u>
Total current liabilities	<u>-</u>
 Net Assets	
Invested in capital assets	388,748
Unrestricted	<u>220,161</u>
Total net assets	\$ <u><u>608,909</u></u>

See accompanying notes

Tri-Township Fire Department
Statement of Activities
Year Ended December 31, 2007

Functions/Programs	Program Revenues				Governmental Activities
	Expenses	Charges for Services	Operating Grants	Capital Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities					
Public safety	\$ 76,416	\$ -	\$ -	\$ -	\$ (76,416)
Total governmental activities	<u>\$ 76,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(76,416)</u>
General Revenues:					
Intergovernmental					106,695
Interest earnings					10,834
Other					<u>2,995</u>
Total general revenues					<u>120,524</u>
Change in Net Assets					44,108
Net assets - beginning of year					<u>564,801</u>
Net assets - end of year					<u>\$ 608,909</u>
Amounts reported for governmental activities are different because:					
Net Change in Fund Balances - Total Governmental Funds					\$ 44,874
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.					
	Depreciation expense		\$ (21,881)		
	Capital Outlay		<u>21,115</u>		
					<u>(766)</u>
Change in Net Assets of Governmental Activities					<u>\$ 44,108</u>

See accompanying notes

Tri-Township Fire Department
Governmental Funds
Balance Sheet
December 31, 2007

	<u>General Fund</u>
Assets	
Cash and investments	\$ 220,161
Receivables:	
Receivable from other governmental units	-
Total assets	<u>\$ 220,161</u>
Liabilities	
Accounts payable	\$ -
Accrued expenses	-
Total liabilities	<u>-</u>
Fund balances	
Unreserved:	
General Fund	<u>220,161</u>
Total fund balances	<u>220,161</u>
Total liabilities and fund balances	<u>\$ 220,161</u>
 Fund Balances - Total Governmental Funds	 \$ 220,161
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	\$ 595,196
Accumulated depreciation is	<u>(206,448)</u>
	388,748
 Net Assets of Governmental Activities	 <u>\$ 608,909</u>

See accompanying notes

Tri-Township Fire Department
Governmental Funds
Statement of Revenues and Expenditures and
Changes in Fund Balances
Year Ended December 31, 2007

	<u>General Fund</u>
Revenues	
Intergovernmental	\$ 106,695
Interest earnings	10,834
Donations	2,676
Reimbursements	314
Other	<u>5</u>
Total revenues	<u>120,524</u>
Expenditures	
Current:	
Public safety	54,535
Capital outlay	<u>21,115</u>
Total expenditures	<u>75,650</u>
Excess of revenues over (under) expenditures	44,874
Fund balances - Beginning of year	<u>175,287</u>
Fund balances - End of year	<u><u>\$ 220,161</u></u>

See accompanying notes

Tri-Township Fire Department
Notes to Financial Statements
December 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Tri-Township Fire Department ("the Fire Department") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Fire Department:

Reporting Entity

The Tri-Township Fire Department is a joint area Fire Department that provides Fire services. The Board serves three governmental units - Avery Township, Briley Township, and Loud Township.

The Fire Board consists of six members, one elected official from each Township Board and one resident from each Township.

The pro-rata share of financing costs as provided by the by the interlocal agreement is based on the taxable valuation (per the Montmorency County Equalization Department) of each township.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Fire Department's reporting entity, and which organizations are legally separate, component units of the Fire Department. Based on the application criteria, the Fire Department does not contain any component units.

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Fire Board. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Department's government-wide activities are considered governmental activities. The Fire Department does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Annual contributions from member units and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Fire Department.

The Fire Department reports the following major governmental fund:

The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department, except those required to be accounted for in another fund.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions. General revenue includes interest earnings and other revenues.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - All trade receivables are shown net of an allowance for uncollectible amounts, if any.

Capital Assets - Capital assets, which include land, buildings and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Fire Department as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Tri-Township Fire Department
Notes to Financial Statements
December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Machinery and equipment and vehicles are depreciated using the straight-line method over the following useful lives:

Machinery and equipment	10 -15 years
Vehicles	5 - 30 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no Fire Department employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Fire Department has not designated any fund equity as of December 31, 2007.

Comparative Data/Reclassifications - Comparative data is not included in the Fire Department's financial statements.

Note 2 - Stewardship, Compliance and Accountability

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state laws for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function/ The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the line item level. State law requires the Fire Department to adopt its budget by January 1. The budget was also reviewed by the township units of government as required by the joint operating agreement. State law permits the Fire Department to amend its budget during the year. During the year, the budget was amended in a legally permissible manner.

The Fire Department incurred expenditures in excess of appropriations as follows:

<u>Fund</u>	<u>Line Item</u>	Amended <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Station Equipment Repair	\$ 500	\$ 605	\$ 105

Tri-Township Fire Department
Notes to Financial Statements
December 31, 2007

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Fire Department to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Fire Department is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Fire Department has designated one financial institution for the deposit of Fire Department funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Tri-Township Fire Department's deposits and investment policy are in accordance with statutory authority.

At year end, the Tri-Township Fire Department's deposits and investments were reported in the basic financial statements in the following categories:

	Carrying Amounts
Cash and cash equivalents	\$ 16,505
Investments - certificate of deposit	203,656
Total	<u>\$ 220,161</u>

The breakdown between deposits and investments for the Fire Department is as follows:

Deposits (Checking and savings accounts)	\$ 16,505
Certificates of deposit	203,656
Total	<u>\$ 220,161</u>

The deposits of the Fire Department were reflected in the accounts of one financial institution, of which \$116,505 is covered by federal depository insurance.

Note 4 - Receivables

Receivables as of year-end for the Fire Department's major fund, including applicable allowances for uncollectible accounts, are as follows:

	General Fund
Receivables:	
Due from other governmental units	\$ -
	<u>\$ -</u>

Tri-Township Fire Department
Notes to Financial Statements
December 31, 2007

Note 5 - Capital Assets

Capital assets activity of the Fire Department's Governmental activities were as follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital assets not depreciated:				
Land	\$ 15,068	\$ -	\$ -	\$ 15,068
Capital assets being depreciated:				
Equipment - Radio	8,500	-	-	8,500
Equipment - Station	18,190	-	-	18,190
Equipment - Vehicles	82,188	21,115	-	103,303
Vehicles	450,135	-	-	450,135
Subtotal	<u>559,013</u>	<u>21,115</u>	<u>-</u>	<u>580,128</u>
Accumulated Depreciation				
Equipment - Radio	3,525	517	-	4,042
Equipment - Station	12,619	413	-	13,032
Equipment - Vehicles	31,407	5,947	-	37,354
Vehicles	137,016	15,004	-	152,020
Subtotal	<u>184,567</u>	<u>21,881</u>	<u>-</u>	<u>206,448</u>
Net capital assets being depreciated	<u>374,446</u>	<u>(766)</u>	<u>-</u>	<u>373,680</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 389,514</u>	<u>\$ (766)</u>	<u>\$ -</u>	<u>\$ 388,748</u>

Depreciation expense was charged to programs of the Fire Department as follows:

Governmental activities:	
Public safety	\$ <u>21,881</u>
Total governmental activities	\$ <u>21,881</u>

Note 6 - Risk Management

The Tri-Township Fire Department is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Required Supplemental Information

Tri-Township Fire Department
 Budgetary Comparison Schedule - General Fund
 Year Ended December 31, 2007

	Budgeted Amounts			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Fund Balance - Beginning of year	\$ 175,287	\$ 175,287	\$ 175,287	\$ -
Resources (Inflows)				
Intergovernmental	106,243	106,694	106,695	1
Interest earnings	4,000	10,833	10,834	1
Donations	-	2,675	2,676	1
Reimbursements	-	314	314	-
Other	-	5	5	-
Amounts available for appropriation	<u>285,530</u>	<u>295,808</u>	<u>295,811</u>	<u>3</u>
Charges to Appropriations (Outflows)				
Current				
Public Safety				
Administration	2,300	3,877	2,726	(1,151)
Employees	31,294	31,329	24,267	(7,062)
Station	14,900	17,289	16,189	(1,100)
Vehicle	12,500	12,682	11,353	(1,329)
Total	<u>60,994</u>	<u>65,177</u>	<u>54,535</u>	<u>(10,642)</u>
Capital Outlay	<u>10,000</u>	<u>21,334</u>	<u>21,115</u>	<u>(219)</u>
Total charges to appropriations	<u>70,994</u>	<u>86,511</u>	<u>75,650</u>	<u>(21,503)</u>
Fund Balance - end of year	<u>\$ 214,536</u>	<u>\$ 209,297</u>	<u>\$ 220,161</u>	<u>\$ 21,506</u>

Supplemental Information

Tri-Township Fire Department
General Fund
Detail of Revenues - Budget and Actual
Year Ended December 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Federal grant	\$ -	\$ -	\$ -
Intergovernmental	\$ 106,694	\$ 106,695	\$ 1
Interest earnings	10,833	10,834	1
Donations	2,675	2,676	1
Reimbursements	314	314	-
Other	<u>5</u>	<u>5</u>	<u>-</u>
 Total Revenues and Other Financing Sources	 \$ <u>120,521</u>	 \$ <u>120,524</u>	 \$ <u>3</u>

Tri-Township Fire Department
General Fund
Public Safety
Detail of Expenditures - Budget and Actual
Year Ended December 31, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Current:			
Public Safety:			
Administration:			
Audit	\$ 1,300	\$ 1,300	\$ -
Fire prevention	800	-	800
Mileage reimbursement	50	-	50
Miscellaneous	300	13	287
Office supplies	400	387	13
Award dinner	1,027	1,026	1
Total Administration	<u>3,877</u>	<u>2,726</u>	<u>1,151</u>
Employees:			
Fire Chief salary	4,136	4,136	-
Fire Fighters wages	13,260	10,322	2,938
Secretary/Treasurer salary	2,528	2,528	-
FICA - employer	1,370	1,106	264
Accident/Sick insurance	2,800	2,240	560
Workmen's compensation ins.	1,500	1,298	202
Training program	2,535	2,535	-
Uniforms	3,200	102	3,098
Total Employees	<u>31,329</u>	<u>24,267</u>	<u>7,062</u>
Station:			
Mako air compressor	700	600	100
Electric	847	847	-
Equipment - small items	80	65	15
Equipment repair	500	605	(105)
Insurance	4,000	3,793	207
Operating supplies	1,647	1,647	-
Telephone	500	467	33
Radio contract	1,215	1,215	-
Radio repair	1,000	150	850
Rent - Briley Township	4,800	4,800	-
Rent - Loud Township	2,000	2,000	-
Total Station	<u>17,289</u>	<u>16,189</u>	<u>1,100</u>
Vehicles:			
Fuel	1,500	1,284	216
Insurance	8,000	6,888	1,112
Maintenance	3,182	3,181	1
Total Vehicles	<u>12,682</u>	<u>11,353</u>	<u>1,329</u>
Capital Outlay	<u>21,334</u>	<u>21,115</u>	<u>219</u>
	<u>\$ 86,511</u>	<u>\$ 75,650</u>	<u>\$ 10,861</u>



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

August 27, 2008

Fire Department Board
Tri-Twp Fire Department
Montmorency County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Twp Fire Department as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Tri-Twp Fire Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Fire Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fire Department's financial statements that is more than inconsequential will not be prevented or detected by the Fire Department's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Lack of adequate controls to produce full-disclosure GAAP basis financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Fire Department's management. The preparation of financial

statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: The Fire Department, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Fire Department's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Cause: This condition was caused by the Fire Department's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Fire Department to perform this task internally.

Effect: The result of this condition is that the Fire Department lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of responsible officials: The Fire Department has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Fire Department to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Lack of segregation of duties in recording activity in the general ledger.

Requirement: Proper internal control over the recording of activity in the general ledger necessitates that more than one person be involved in generating source documents and the recording of activity in the general ledger.

Condition: The Fire Department has been utilizing one person to generate source documents and enter the accounting activity into the general ledger software program.

Cause: The Fire Department, due to its small size, employs only one person in the accounting office.

Effect: The proper internal control in relation to segregation of duties is not present.

View of responsible officials: The Fire Department is aware of the situation, however, due to financial constraints it is impractical to hire an additional person for the accounting office. The finances are monitored closely by the Fire Department Board and this oversight adds to the controls.

This communication is intended solely for the information and use of management, the Fire Department Board, and others within the Fire Department, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPA's, P.C.
Certified Public Accountants
Mio, Michigan